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UNCLAS PARIS 000389

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E.O. 12958: N/A

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SUBJECT: FSC/ETI DISPUTE: DEMARCHE TO GOF ON SUSPENSION OF RETALIATORY DUTIES

REF: (A) STATE 11149, (B) WHITE/USEU WILSON E-MAIL, 1/20/05

1. (SBU) Summary. Economic Minister-Counselor made ref A demarche January 20 to MFA Director Alain Leroy. Leroy took our points on board, but revealed little about how France will act when the Commission takes up the issue of FSC sanctions in the 133 Committee meeting. The GOF remains particularly sensitive to the allegation that Boeing is one of the primary beneficiaries of FSC phase-in/grandfathering. End Summary.

2. (SBU) Economic Minister-Counselor called MFA Director for Economic and Commercial Affairs Alain Leroy (U/S equivalent) January 20 to make ref A demarche, emphasizing in particular the fact that the legislation realized 99 percent of what the EU asked of us, and that EU action could have a salutary or negative effect on Congressional attitudes on trade issues with the EU as we move into the second Bush term. The U.S. intent is to resolve contentious issues (as indicated by the FSC legislation and the recent Boeing/Airbus procedural agreement), rather than to see new irritants created. An EU refusal to recognize Administration and Congressional efforts to gather support for difficult trade decisions would be a very negative signal, particularly to U.S. legislators, many of whom feel they have made an unpopular political decision in approving the legislation.

3. (SBU) Leroy took the points on board, and seemed particularly sensitive to the upcoming visit by President Bush to Europe (and Chirac eventually to Washington), as well as the potential implications for Congressional consideration of Fast Track negotiating authority later this year. While not indicating how the French would argue on the issue of sanctions suspension/automaticity, he indicated that the two-year phase-in and the existence of grandfathered contracts were serious concerns for France, particularly given the perception that Boeing is a major beneficiary.

4. (SBU) Comment. Leroy promised to pass our concerns up the chain, but the heavy overhang of the Boeing/Airbus issue likely ensures that the GOF will not help our cause in the 133 Committee. End Comment.

WOLFF